PRESENT WORK AND PRESENT WAGES

SUMMARY

I. Professor Taussig's doctrine of a limitation of wages. Tho present consumption must come mainly out of past product, the full reward of labor is not limited by past product, 515. — Present efficiency in part affects wages, 518 — II. Services a factor in social income, 521. — Modern methods of bargaining make possible immediate gains in wages, 521. — Savings admitted by Professor Taussig to bring about elasticity, but the admission minimized by him, 523 — Savings of wage-earners often withdrawn, then replaced; not the annual interest alone is to be considered, 525. — III. Statistical evidence as to the extent of workingmen's savings, 528. — Conclusion, 534

INASMUCH as Professor Taussig's discussion of the relation between present work and present wages [1] has reappeared, without the original qualifications, in Bullock's Selected Readings in Economics, [2] it seems to call for renewed consideration and criticism.

I

Professor Taussig demonstrates without difficulty that "the greater part of present labor is given to production at stages preceding by a longer or shorter interval the attainment of the enjoyable result," and that "most of the labor being done at the present moment will bring consumable goods at some time in the future; while the consumable goods now available are mainly the product of past labor." [3]

[1] See Taussig's Wages and Capital, ch 1. See also Professor Taussig's article on "Capital, Interest and Diminishing Returns," in this Journal, vol xxii, pp 333–363 (May, 1908)

[2] Chapter 18 In connection with this, ch 4 of Wages and Capital, on the "Elasticity of the wages fund," should be read. Of the qualifications contained in ch. 4, more will be said below.

[3] Ibid, pp. 522–523.

But when Professor Taussig attempts to draw the conclusion that "real wages are virtually to their full extent the product of past labor,[1]" the argument is invalidated by a *non-sequitur*. The error consists in making *wages* and *subsistence* substantially equivalent — unless, indeed, we understand Professor Taussig as practically accepting the doctrine of the "iron law of wages."

That *present subsistence* or *present consumption* must come out of past product, out of utilities that have, at the best, received their finishing touches in the more or less recent past, must of course be granted. Present subsistence or consumption cannot come out of future production. But to argue that the *full rewards* of labor are limited by past product — estimating from the time when the labor was performed — is quite another matter. For this assumes that the rewards of labor merely equal subsistence or that the laborer is characteristically improvident and that he draws at once upon the stock of completed goods to the full amount of his claim. As a matter of fact laborers do not thus immediately turn their wages to the full extent into subsistence utilities. The deposits of laboring men in savings banks, the investments of laboring men in insurance, and in building and loan associations, and the accumulation by laboring men of strike and benefit funds, prove the contrary.[2] Tho it is true that the "real wages" of the laborer consist in the commodities consumed, it is by no

[1] I take it that this means "past product" as estimated from the period when the labor was performed and the wages received The real rewards of labor, as of the other factors in production, in so far as these rewards consist of commodities and not of services, must unquestionably represent the product of past labor in the sense that they are *completed products* at the time of purchase as consumable goods If Professor Taussig's proposition means merely this it is a truism and without special significance in this connection

[2] See Part III of this paper, below.

means necessary, nor is it actually the case, that laborers redeem their claims to those commodities immediately and to the full extent of their wage. Modern laborers, like other people, — if not to the same extent, — have in many cases regard for the future. They "lay up for a rainy day" or invest a part of their wages or put a part aside because market conditions are not favorable for the purchase of the things they want. That others may consume the goods that they elect not to consume, that individual postponement of consumption does not necessarily mean that the consumption of the goods in question does not take place, does not change the situation. As a matter of fact a part of the real rewards of labor does not come out of past product, but comes out of the product completed in the future, as estimated from the period when the labor was performed. Neither is all of the laborer's present effective demand due to his attempt to turn present money wages into consumable goods. A part of his present demand may be, and often is, due to his present expenditure of past savings. Here, as always, the subsistence itself is out of past product; but as a part of the laborer's reward, and estimated from the time when the work was done and the wages earned, it represents not necessarily past production, but very possibly future production.

The point is, that while subsistence is limited by past production, the full rewards of the laborer are not thus limited. Subsistence is limited by capital in so far as we refuse to release consumption goods from the category of capital goods until the goods in question are actually on the consumer's table. But so far as wages exceed subsistence, to that extent the rewards of labor are not necessarily limited by past production and to that extent wages are not necessarily

paid out of real capital. To argue that that portion of the laborer's reward the consumption of which he for the present postpones must at any rate pass through the category of capital goods before final consumption is beside the point. The question is not whether all consumption goods are not capital goods until they are finally consumed, but whether the present reward of labor is virtually limited by past production, *i. e.*, by " a wages fund made up of commodities."

It is thus impossible to rehabilitate the old doctrine of the " wages fund " without at the same time accepting the " subsistence theory "of wages. Wages depend, in part at least, upon the present efficiency of the laborer, and, by higher efficiency, or by more effective bargaining, the laborer can increase his present wage tho he may not be able to essentially increase the *present stock* (or the *present flow*, if you choose) of consumable goods. Professor Taussig, in his zeal to distinguish between real and nominal wages, commits the error of concluding that the rewards of labor are virtually limited by the stock of goods, either completed or just arriving at completed form at the time the labor is being performed. As a matter of fact, not only is a portion of the rewards of present labor realized in present and in future production, but from the strictly economic point of view laborers are not producing *commodities* at all. They are producing *values*. From this point of view, not even those laborers engaged in giving the finishing touches to commodities are " producing commodities." Laborers, from this point of view, are not paid for producing *commodities;* they are paid for producing *values*. And the laborer who is devoting himself to the early stages of production is just as truly producing values as he

who is engaged in putting the final touches upon a commodity. In neither case does the full wage necessarily depend upon the particular completed product, nor upon the total sum of completed products available at that particular time. The result of the wage earner's efforts is primarily not a commodity — either inchoate or completed — but an increment of value. The wage earner's reward is not primarily in commodity form — either inchoate or completed — but consists of value units, — of a claim or title to economic goods in general. Neither laborers nor others subsist directly from values; but nevertheless, on account of the present system of production by division of labor and round-about methods, the value product is logically antecedent to the commodity product and the value or money wage is antecedent to the real wage. To the wage earner, the passage to real wages is via money wages only, and this must not be overlooked in our eagerness to distinguish between nominal and real wages and to emphasize the latter.[1] The laborer's reward is primarily a money wage and one of the functions of money being that of a "store of value," the laborer is not compelled to turn his money wage at once and to the full extent, into real wages; but in so far as his claim to real wages exceeds present necessities, he may postpone the realization of his reward from past product to present or even future product.

If the laborer is a spendthrift and elects to expend his entire money wage at once, or if the approximate adjustment of wage to subsistence demands such immediate and complete expenditure,[2] then, if we for

[1] It is this fact alone that gives the word "unemployment" any semblance of rationality as an expression of an undesirable condition In like manner under any other point of view the phrase "right to work" would be utterly absurd

[2] The buyer who is insistent, either because of necessity or because of spendthrift habits, thereby exerts an upward influence on prices that tends to exhaust his purchas-

the moment disregard services and the existing accumulated savings fund, we must admit the approximate correctness of Professor Taussig's argument. From either of these two points of view the laborer's reward is not only limited by past product but in so far as we accept the theory that present saving permits the creation of capital goods, and thus makes possible a larger future production by the use of increasingly round-about methods, the possible rewards of his future labor are also limited by his present non-disposition or non-ability to save. On the other hand, in so far as laborers are not spendthrift and in so far as the rewards of labor exceed subsistence, the present rewards of labor are not only not limited by past product but the savings of laborers above present consumption contribute to a larger future product. In the meantime goods that were unfinished at the time the labor in question was performed and the wages earned — and in the finishing of which these very laborers may have been concerned — will have arrived at completed form and will be available for purchase out of the unexpended balance of past wages. This increased future product thus constitutes not only the source of higher possible rewards for future labor, but by virtue of the fact that it is ordinarily an "increased product," that part of the laborer's past money wage, the realization of which in actual commodities was postponed to the future, brings to him a larger stock of the enjoyable goods of life.[1]

ing power so much the sooner and that yields him the minimum amount of real goods in return The cautious buyer, on the other hand, for the opposite reason generally secures the maximum amount of real goods with the minimum expenditure of purchasing power

[1] See Hamilton, Savings and Savings Institutions (1902), pp. 29, 96–100. See also Proceedings of the Third Annual Convention of the Savings Banks Association of the State of New York (1896), pp 53–55, ibid , 1897 (Fourth Annual Convention), pp. 62–63, 69–70 See also Bankers' Magazine (N. Y.) 78, pp. 722–727 (Nov. 1908).

II

We may now take up for consideration the qualifications referred to above as being contained in Chapter IV of *Wages and Capital* on "The Elasticity of the Wages Fund," which, unfortunately, do not appear in Professor Bullock's *Selected Readings*.

It may be said in the first place that these qualifications fail to take account of services as a factor in the elasticity of the "wages fund," though with a rising standard of living services are becoming relatively more important and commodities relatively less important in the real income of laborers. There is under present conditions considerable opportunity for immediate expansion of the "wages fund" in this direction because of the existing incomplete utilization of many varieties of this form of utility. With higher nominal wages or shorter working hours immediate advantage could be taken of this opportunity by laborers.

In the second place, Professor Taussig's conclusion that laborers cannot get "an immediate or early benefit from the results of improvements made at the time when their wages are earned" [1] must be, in turn, materially qualified. Modern wage earners have much to say about the conditions under which they work and, in many cases, improvements are not introduced except with the consent of the wage earners and upon such terms as enable them to share at once in the resulting benefits. In some cases the regular trade agreements cover these points [2] and in other

[1] Wages and Capital, p 93

[2] "Under a system of payment by the amount of yarn spun, the operative automatically gets the benefit of any increase in the number of spindles or rate of speed. If any improvement takes place in the process, by which the operative's labor is re-

cases the employers voluntarily concede a share in the resulting advantages in order to forestall disaffection on the part of the laborers. These benefits may take the form either of higher wages, shorter hours, more regular employment, or of any combination of benefits such as these. If in the form of higher wages, there is a larger surplus above subsistence, the expenditure of which the laborer may postpone either by adding to his savings or in some other manner. If in the form of shorter hours without diminution of wages, it may afford the opportunity for increasing real income by a larger participation in the enjoyment of services — the present incomplete utilization of which was referred to above. If in the form of more regular employment, the amount of earnings is increased without necessarily terminating the leisure required for the enjoyment of services. When the result of the improvements in question has worked itself out ultimately, the wage earner as a consumer reaps a balance of additional benefit, and the surplus of present wage above subsistence may enable him to participate in this without reference to the wages of future work.[1]

duced, the onus of procuring a change in the rate of pay falls on the employer The result is, that so effectually is the cotton spinner secured by his piece work lists against being compelled to give more work without more pay, that it has been found desirable deliberately to concede to the employers, by lowering the rates as the number of spindles increases, some share of the resulting advantages in order that the Trade Union may encourage enterprising mill owners in the career of improvement The cotton weavers have a similar experience " Webbs' Industrial Democracy, vol i, p 289 (1897) See also pp 408–410, and ch 8, generally Compare also the circumstances connected with the introduction of the linotype in the printing trade in the United States [Barnett " The Introduction of the Linotype " (Commons, Trade Unionism and Labor Problems, ch 10)] It should be noted in this connection that labor unions determine the working conditions for a far greater number of laborers than are included in their own membership

[1] A S Johnson, in an article in this Journal (November, 1905) on " The Effects of Labor-Saving Devices on Wages," expressly rejecting the statistical method and approaching the problem in a purely analytical way, concludes that " there is no logical basis for the view that every labor-saving invention must necessarily benefit the laborer in the long run," tho he admits that " most practical inventions probably

The most important qualification, however, which Professor Taussig makes in this connection is contained in the following words:

"There is another possibility, and a significant one, of more practical importance in regard to other forms of income than those usually called wages, but not without its importance for wages also. It has been assumed hitherto that money income is spent as soon as received, and goes at once to the purchase of consumable commodities. But purchases may be postponed and savings made: a modification in the assumed conditions which we may now proceed to consider.

"The simplest form of saving is hoarding; and it is an easy matter to trace the modifications which would ensue from hoarding. The real income from labor comes when the money income is spent. If it is spent a year after the work is done, the consumable commodities then existing are the source of real income. In the meanwhile some of the commodities may have become more abundant and cheaper; in which case wages, as to the part postponed, are subject to the conditions of supply of the later date, not to those existing at the time when the work was done. So far as the conversion of money wages into real wages is put off, the laborers thus have a clear field for participation in the results of improvements going on while they work, or in those of greater strenuousness of their own labor." [1]

Professor Taussig then proceeds to point out that, in modern communities, the usual form of saving is investment and not hoarding, and he follows the history of the funds thus saved as they pass through the various savings agencies and enter into the productive process. Turning to the fund as an investment,

do, owing to the fact that most inventions cheapen products largely consumed by labor" T N Carver's article, also in this Journal (February, 1908) on "Machinery and the Laborers," treats the problem in a similar way and concludes that even in those cases where laborers may ultimately benefit from the general results of inventions of machinery, the measure of advantage is apt to be smaller than that which accrues to capitalists from the same improvements Professor Carver somewhat modifies this conclusion, however, by the further conclusion that "altho the laborer's income has not been increased by the invention of labor-saving machinery of various kinds as much as other incomes have been, the conditions of the laborer have been ameliorated in other ways which help to compensate him for his relative loss"

[1] Wages and Capital, pp 94–95

Professor Taussig asserts that the individual saver "does not ordinarily avail himself of the recurrent opportunity which comes as the loans made to the active managers fall due," but "reinvests, repeating the decision to save," and "spends only the money income handed over to him as interest on his accumulations." With this annual interest income the wage-earning saver "becomes each year . . . a purchaser of real income," and a sharer "in the inflowing supplies of consumable goods," and thus, "so far as the reward for his labor is concerned . . . is independent of those present limitations on real income which we have found to exist for such as spend their whole money income at once for the satisfaction of immediate wants." [1]

Professor Taussig then reaches the decisive stage of the discussion, when he rightly rests the "importance of this additional element of elasticity in the real reward of labor" on the "extent to which savings are in fact made from money wages." On this all-important point he concludes that in respect to "the great mass of hired laborers, and even the great mass of those independent workmen in agriculture and in the crafts . . . the savings are probably very small as compared with their total earnings"; that, while "the accumulations in the savings banks of the more advanced countries form as imposing mass" they come only in part from the savings of wage earners and are, in any case, "small as compared with the whole sum which is paid in wages"; and finally that "it cannot be far from the truth to say that virtually the whole of the wages of hired manual laborers is spent at once on consumable commodities, and therefore is subject to the causes by which

[1] Wages and Capital, pp. 95–96.

the supply of consumable commodities is so largely predetermined." [1]

Thus the qualifications in favor of a measure of elasticity in the "wages fund," which are so admirably stated in the first part of the citations above and which promised so much, are "virtually" dismissed, and the original position left open to the criticisms offered in the first part of this discussion.

Inasmuch as Professor Taussig has offered no statistical proof, or estimate even, in support of the position which he here takes as to the extent of savings by wage earners, some criticism incidental to his method of presentation of the subject may first be offered.

In the first place, the attention of the reader is, all unconsciously perhaps, directed away from the present important *accumulated savings fund* due wage-earning depositors, and, in a measure, from the *annual surplus* of wages above subsistence, which makes possible the maintenance or the increase of the principal of this fund, and towards the relatively small *annual interest* on the accumulations of the individual saver. The net result of this unconscious, logical sleight-of-hand, always peculiarly insidious in an *a priori* discussion, is to unduly minimize the impression as to the importance of the savings of wage earners. Under cover of the assertion that the individual saver does not ordinarily avail himself of the privilege of the recurrent opportunity for spending which comes as the loans fall due, and that he reinvests and spends only the interest received on his accumulations, important considerations in relation to the principal of the fund are slurred over. Again, it is hardly in accordance with the facts to assert that the investment of the

[1] Wages and Capital, pp. 96–97.

individual saver is "usually permanent."[1] It is doubtless true that taking the savings of wage earners as a whole the principal of the fund is in the long run maintained intact, and even increased, and that as a whole the investment may be a permanent one. But it is quite different with the individual depositors. At any particular time there are some who for a series of years have been constantly adding to their deposits or who have at least maintained them intact — in the mean time expending only the annual interest on the accumulations — and who are now exhausting the principal itself of the fund, by withdrawal. There are others entirely similar to the class just mentioned except that they have allowed even the interest to remain and become a part of the principal and who are now by withdrawal exhausting both the original principal and the interest — accumulated or compounded. There are others who are just beginning to open deposits or who have recently done so, and who expect to add to their savings for an indefinite period in the future, and upon whose action depends in large measure the maintenance of the fund as a whole. Ultimately, however, they too will withdraw their deposits, and the burden of maintaining the whole fund as a permanent investment will fall upon others. Still others there are whose practice has been less regular than that of the classes mentioned above — who now add to their deposits, now withdraw, and now add again. But the individuals of this class, just as those of the other classes, will in time finally withdraw the principal of their deposits and will be replaced by others who will help to maintain the fund.

[1] That is, the investment of the individual saver cannot be said to be "permanent" in the sense that the principal of the deposit is never withdrawn Such individual deposits are, of course, "permanent investments" in the sense that they are often made for comparatively long periods

Thus, in time, practically the whole mass of original individual deposits will have been withdrawn and will have been replaced by the deposits of others, and again in time these latter will be replaced by the deposits of still others, and so on indefinitely.

This constant and successive withdrawal and expenditure of the principal of the individual deposits finds no recognition in Professor Taussig's description, and yet it is of vital importance in the attempt to estimate the extent to which savings enable wage earners to realize the rewards of past efforts in future production. For it is evident that both the annual interest on the fund and the fund itself at final withdrawal must be taken account of in this connection.

On the other hand it is highly important that the principal of the savings fund as a whole should be maintained, and even increased to the greatest extent possible, inasmuch as the wage earners benefit indirectly from the effect of their own savings, as of all savings, upon industry. The excess of yearly wage above subsistence, and of thrift above unthrift, is therefore a matter of the highest importance.

If it is asked, then, whether the ability of wage earners to realize the rewards of past labor in present or future product is to be measured by the annual contribution to the savings fund, or by the total existing accumulation of savings, or by the annual interest on accumulations, it is clear that all three factors must be taken into consideration.[1]

[1] The annual contribution to the savings fund has indeed, from the point of view of the present inquiry, a greater significance in reference to the future than in reference to the present, inasmuch as an attempt to expend current savings in the near future would approximate the expenditure of current earnings for subsistence utilities This consideration is, however, largely a merely nominal one, as most contributors of surplus earnings to savings are either not disposed to withdraw recent deposits in the immediate future or are, on account of the formal regulations of savings institutions, unable to do so if they should so wish This is especially true in reference to annual payments on life insurance, payments to various benefit funds, and payments on investments in real estate.

To summarize the criticisms offered: Professor Taussig's virtual acceptance of the theory of a subsistence wage or of spendthrift habits on the part of the wage earner leads him to an undue emphasis upon real as opposed to nominal wages — upon the commodity or wealth side as opposed to the value side of production. This emphasis upon commodities is heightened by a disregard of services as a part of the laborer's reward, thus adding to the apparent rigidity of the so-called "wages fund." The control exercised by laborers in determining the conditions under which they work and which enables them in many cases to participate immediately in the benefits resulting from improved processes in production, is likewise disregarded and with similar consequences. Lastly, not only is the assumption that the savings of wage earners are practically negligible entirely without even an attempt at a statistical foundation, but the method of treatment is such as to unduly minimize the importance of those savings even from an *a priori* point of view.

III

It is not the purpose of the writer to make, in this connection, any exhaustive statistical examination of the question of the importance of the savings of workingmen, as bearing upon the question of the relation between present work and present wages. Brief consideration of some of the most readily available of the statistics of savings, together with a short review of current opinion on and treatment of the subject of the importance of the savings of workingmen may, however, not be without general interest,

while at the same time illustrating the point of view from which this paper is written.[1]

It is, of course, very difficult to make even an approximate estimate as to the proportion of total accumulations in savings banks and in other savings agencies, contributed by *bona fide* wage earners. In an article in the Contemporary Review[2] entitled "The Investment of the Masses," Mr. Jesse Quail makes the statement that the wage-earning classes in England are individually or collectively the holders of a very considerable proportion of the invested capital of the nation.[3] He gives an estimate of £682,067,101 to the credit of wage earners' accounts in the year 1904 — "a year of depressed trade." Mr. L. G. Chiozza Money, in an article in the same journal[4] discusses the same subject and severely criticizes the estimate of Mr. Quail, and takes occasion to say of his own previous estimate of £450,000,000 as representing the savings of the working classes[5] that that sum obviously includes investments in building and other thrift societies by members of the middle classes. Mr. J. P. Hutchinson, himself a wage earner, in an article in the Nineteenth Century,[6] takes the point of view that "the actual savings by *bona fide* wage earners are really small in the aggregate." He dis-

[1] The present paper was completed, and submitted for publication, more than a year ago The statistics are the latest available at that time, and serve for illustration, I trust, as well as if they had been brought more fully to date

[2] April, 1907, p 539 ff.

[3] The post office savings banks of the United Kingdom at the end of the year 1906 had 10,332,784 depositors In these banks during the year 1906 receipts amounted to £47,648,308, payments totaled £43,763,002, and capital amounted to £155,996,446. In November, 1906, the trustee savings banks of the United Kingdom had 1,760,999 accounts open, while for the year ending with the same date receipts amounted to £13,408,810, payments totaled £14,442,412, and capital equaled £53,009,299. The Statesman's Year Book, 1908, pp 101–102

[4] June, 1907, p. 847 ff.

[5] See his Riches and Poverty, p. 49.

[6] 63 285–296

tinctly recognizes the possibility of saving by laboring men, however, and strongly emphasizes the desirability of such saving, giving illustrations of what can be accomplished in that direction.[1]

There are, apparently, no figures available representing an estimate of how large a proportion of the over $3,500,000,000 deposited in savings banks in the United States belongs to wage-earning depositors.[2] Edward Atkinson more than ten years ago estimated that the working people of Massachusetts had a title to one year's product a head per capita in the savings banks — adding further, a numerical estimate of $250,000,000.[3] On the same occasion an estimate of $400,000,000 deposited by working people in the New York savings banks was made by another authority.[4] Present savings by wage earners in these two important states must be very much larger than these estimates of more than a decade ago. On January 1, 1906, the Bowery Savings Bank of New York City — the largest savings bank in the world — had, alone, deposits amounting to over $95,000,000 distributed to nearly 152,000 accounts.[5] This bank is said to

[1] See also the estimate of Mr. H O Arnold-Forster, in his English Socialism of To-day (3d ed 1908), p 92

[2] Since this article was written, the National Monetary Commission has published a special report, dated April 28, 1909, (61st Congr , 2d session, Sen Doc No 225, Table No 79) giving details as to savings bank operations It appears that on this date the 18,245 banks reporting held, in round numbers, $5,679,000,000 of savings deposits for 14,900,00 savings depositors

In this connection, however, see Proceedings of the Third Annual Convention of the Savings Banks Association of the State of New York (1896), p 11, ibid. (Fifth Annual Convention), 1897, pp 31–39, also ibid (Ninth Annual Convention), 1902, p. 10 See also Annual Report of the Superintendent of Banks, relative to Savings Banks, etc (N. Y.) 1901, pp 31–34, and 1905, pp 15–16.

[3] Address on " One Function of the Savings Bank, etc " Proceedings of the Fourth Annual Convention of the Savings Banks Association of the State of New York (1897), pp 9–10, 16

[4] Ibid , p 99.

[5] Annual Report of the Superintendent of Banks relative to Savings Banks, etc. (N. Y.) 1905, pp 158–160.

have become "the most accurate barometer of the financial condition of wage earners." [1]

Mr. Louis D. Brandeis, of the Massachusetts Savings Insurance League, states[2] that, during the fifteen years ending December 31, 1905, the working men of Massachusetts paid to the industrial life insurance companies an aggregate of $61,294,887 in premiums, tho Mr. Brandeis at the same time deprecates the exorbitant cost of such insurance.[3]

As illustrating the importance of labor organizations as saving agencies, it may be noted that during the twenty-one years preceding 1902 the Cigar Maker's International Union paid out nearly $5,000,000 in benefits to members and their families, and in 1900 the total money transactions of the organization exceeded $1,000,000.[4] Similarly, during the eighteen months from April 1, 1903 to October 1, 1904, the total expenditures of the Western Federation of Miners amounted to $514,347.98.[5] Further, on April 1, 1908, the United Mine Workers of America had on hand the sum of $931,996 and on December 1 of the same year the funds of the organization amounted to $595,739.37 — there having been paid out during the year 1908 for aid of the membership the sum of $635,713.75.[6] Other illustrations of a similar nature can, of course, be cited.

At the close of the year ending June 30, 1908, the sum due depositors in the Baltimore and Ohio Rail-

[1] World's Work, IV, 2229–2232 (1902).

[2] Charities and Commons, XVII, 887–890.

[3] See also Review of Reviews, XXXV, 337–339.

[4] World's Work, IV, 2431–2432.

[5] Sen Doc No 122, 58th Cong., 3d Session — Report on Labor Disturbances in the State of Colorado, etc., p. 278.

[6] Newspaper report of the proceedings of the annual convention, in session at Indianapolis, January 20, 1908.

road Company's "savings feature" amounted to $4,403,697.65, disbursements of the "relief feature" for the year ending the same date amounted to $962,-913.02, and the "pension feature" (maintained entirely at the cost of the company) represented assets aggregating $323,747.91.[1] Similarly, there was due to the 9,630 depositors in the "employees' savings fund" of the Pennsylvania Railroad Company, on December 31, 1908, the sum of $4,513,676.92. The "voluntary relief department" of the same company, including 91,777 persons, during the year ending the same date made disbursements amounting to $1,712,-937.74, while the disbursements to the 2,176 pensioners in the "pension department" amounted for the same period to $546,470.53.[2] Of a similar nature are the provisions made by the International Harvester Company, the United States Steel Corporation and many other corporations and by business partnerships and individual business men to encourage thrift among their employees and to bind them to the interests of their employers and which result in saving by wage earners on a very extended scale.

Mr. Paul Vogt in an article in the American Federationist, March, 1909, "Savings of Workingmen," makes an attempt to estimate the actual savings of wage earners in the United States, with incidental comment as to possible or prospective savings. Mr. Vogt tries, and rightly, to treat the problem inductively, but serious criticisms may be made on his treatment of the statistics forming the basis of his discussion.[3]

He spreads over the whole 25,440 families con-

[1] Eighty-second Annual Report.

[2] Sixty-second Annual Report

[3] They are taken from the Eighteenth Annual Report of the Commissioner of Labor (U. S 1903), "Cost of Living and Retail Prices of Food"

sidered, the surplus of the 12,816 families which report a surplus, and thus reduces the average surplus. He ought either to refrain from speaking of the absolute non-saving of some wage earners, or else refrain from emphasizing the small size of the average surplus and the probability of its rapid exhaustion in case of need. He omits also to include the annual payments for life insurance as a part of the surplus, altho only 1,480 of the 2,567 families for whom detailed statistics of expenditures were obtained reported a "surplus,"[1] whereas a greater number, 1,689, reported expenditures for life insurance.[2] The indications are, therefore, that if we had the detailed statistics of expenditure for the whole 25,440 families, a larger proportion of the whole number of families reported on would show expenditures for life insurance than actually reported a "surplus," and that there would be therefore a considerable addition to the savings fund from this source.

Still further, some addition to the savings fund ought to be made on account of the annual payments to labor organizations.[3] A consideration of the annual payments made on the principal of mortgages upon homes would also show an appreciable increase in average savings.[4]

[1] Eighteenth Report of the Commissioner of Labor (U. S 1903) — "The Cost of Living and Retail Prices of Food" — Table IV — T (p 512).

[2] Ibid. Table IV — O (p 503). The average annual expenditures of these 1,689 families for life insurance amounted to $29 55 each — Table IV — S (p 511).

[3] See again as above, Table IV — O, and Table IV — S. Of the whole 2,567 families, 944 had expenditures for labor organizations, and the average annual expenditure amounted to $10 52 each.

[4] Amounting to an average of about $7.00 for each of the 25,440 families. Ibid, p. 61. Actual payments of this sort were made by 1,243 families, "the average payment being $147.50 for the 1,097 families which reported separately such payments." Ibid, p. 59

It may be said, too, that the figures which Mr. Vogt himself presents in reference to the savings banks of Connecticut, and which show that 86 per cent of the depositors — supposedly workingmen, according to Mr. Vogt — averaging $213 each, include 38 per cent of the total deposits, do not warrant his assertion that the contributions of laborers to "the sum total of capital" is "infinitely small."

Mr. Vogt's calculations also give too much consideration to those families of wage earners that save nothing, and to those other "average" or "normal" families that save an "average" amount, and neglect those better paid or more thrifty wage earners whose savings are correspondingly important.

Lastly, while Mr. Vogt can find support from both Professor Clark,[1] and Professor Taussig [2] for the point of view that entrepreneurs are the most important savers, it is extremely doubtful whether he can find warrant from either, — certainly not from the former, — [3] for his prediction that saving by the wage-earning family will become increasingly difficult in the future.

It is thus evident that tho it may not be easily possible to give an approximate estimate of the savings of wage earners, those savings, taken in the various forms, constitute a very large aggregate.

The net result of the discussion, then, seems to be that, on the basis of previous attempts — both *a priori* and statistical — at the solution of the problem of the relation between "present work and present wages," there is no warrant for concluding that the

[1] Essentials of Economic Theory (1907), p. 353.

[2] Capital and Wages, p. 97.

[3] See Essentials of Economic Theory, ch. 20.

savings of wage earners are negligible, nor that the rewards of wage earners are " virtually " limited by past product as estimated from the period when the labor was performed and the wages earned.

J. G. THOMPSON.

UNIVERSITY OF ILLINOIS.

IT still seems to me that the reasoning of *Wages and Capital* does not lead to a " subsistence " theory of wages; tho it may lead to a " spendthrift " theory. Laborers may spend the whole, or virtually the whole, of their money income at once, even tho they get more than subsistence and do not absolutely need to spend their wages. The valuable statistical evidence brought together by Dr. Thompson shows that savings by workmen amount to large sums in the aggregate, but throws little light on the proportion which these savings bear to their total income. I am not convinced that this proportion, which is the important matter, is considerable.

Dr. Thompson is right (and the point had not occurred to me) in calling attention to those savings which are not left for permanent investment, but are withdrawn after a longer or shorter interval. There seems to be much use of savings institutions in this way. So far as there is, obviously the available " real income " is settled not by the conditions which exist at the time when the labor is done and the incomes are earned, but by the conditions of the later period when the saved incomes are withdrawn and spent. But I am disposed to think that here again the proportion of the postponed expenditure to total expenditure is inconsiderable.

Altho I have modified my opinion on some of the topics touched in *Wages and Capital*, the main conclusions of that volume seem to me still to hold. I would point out, however, that it discusses a limited topic, the machinery of production and distribution. It is concerned with the question *how* wages are paid, not with the other and more important question, *how much* is paid in wages. On this second question, I have recently stated my opinions in a paper entitled "Outlines of a Theory of Wages," read before the American Economic Association in December, 1909, and published in the Papers of the Association.

F. W. TAUSSIG.

HARVARD UNIVERSITY.